

## Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 NEA-10 OPIC-12 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00

DRC-01 IGA-02 FRB-02 XMB-07 LAB-06 SIL-01 AGR-20 /207 W

----- 036306

R 081145Z MAR 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 9848

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY BLANTYRE

AMEMBASSY GABORONE

AMEMBASSY MBABANE

AMCONSUL LUBUMBASHI

UNCLAS SECTION 1 OF 2 LUSAKA 0384/1

E.O. 11652: N/A

TAGS: ENRG, ZA

SUBJECT: ENERGY CRISIS - ZAMBIA S PERCEPTION AND POLICY

PASS AID/W

MBABANE FOR OSARAC

REF: STATE 20995

EMBASSY S BEST ESTIMATE OF SITUATION IN ZAMBIA REGARDING POINTS  
RAISED IN REFTEL IS AS FOLLOWS:

1. ZAMBIAN OFFICIALDOM NOV ACUTELY AWARE IN GENERAL TERMS THAT  
ENERGY CRISIS IS LIKELY TO HAVE MAJOR ADVERSE EFFECT ON ECONOMY  
IN LONG RUN IF NOT IN 1974. WHILE FEW EXPECT MAJOR SHORTAGES OF  
OIL (UNLESS NEIGHBORS ZAIRE, MALAWI AND BOTSWANA SEEK MASSIVE  
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LEVEL OF IMPORTS FROM ZAMBIA), CONCERN ABOUT INCREASED COST AND

DISILLUSIONMENT WITH ARAB SUPPLIERS HAS MOUNTED STEADILY (LUSAKA 163). IN ADDITION, THERE REALIZATION AS REFLECTED IN MINISTER OF FINANCE BUDGET SPEECH (LUSAKA 204) THAT ZAMBIA S TERMS OF TRADE COULD DETERIORATE SUBSTANTIALLY IF COPPER RECEIPTS FALL AS RESULT OF RECESSION IN DEVELOPED COUNTRIES OR IF SUBSTANTIAL PRICE INCREASES OCCUR FOR IMPORTED GOODS AND TRANSPORT. THOUGH SOME ESTIMATES RUN HIGHTER, WE PUT ZAMBIAN 1974 REQUIREMENT FOR CRUDE AT ABOUT 800,000 METRIC TONS. AT 7.3 BARRELS PER METRIC TON AND ASSUMING PRICE OF DOLS. 9 PER BARREL CIF NDOLA REFINERY, COUNTRY S 1974 CRUDE BILL WOULD BE DOLS. 52,560,000. COST OF SPECIA- LIZED BY-PRODUCTS USED IN GREAT QUANTITIES BY MINES BUT NOT PRODUCED BY REFINERY LIKELY APPROACH AN ADDITIONAL DOLS. 15 MILLION. WE SEEK- ING MORE DETAILS AND WILL SEND SUPPLEMENTARY REPORT.

2. EMBASSY UNAWARE AT PRESNT OF MAJOR PROBLEMS RELATED TO SUPPLY OF PETROLEUM BY-PRODUCTS. HOWEVER, FUTURE SHORTAGES COULD DEVELOP IF TRADITIONAL SUPPLIERS ARE UNABLE DELIVER. ALTHOUGH MINES WILL PROBABLY BE ABLE ARRANGE FOR ALL VITAL REQUIREMENTS (SUCH AS SPECIALIZED LUBRICANTS), SMALLER INDUSTRIES IMPORTING PLASTICS AND CERTAIN CHEMICALS COULD BE HIT HARD (LUSAKA 115). (FEILIZER BEING COVERED IN SEPTTEL.)

3. TRANSPORT HAS ALWAYS BEEN BOTTLENECK FOR LAND-LOCKED ZAMBIA, ESPECIALLY SINCE CLOSURE OF RHODESIAN BORDER. AT TIMES, SUPPLY LINE FROM EUROPE AND NORTH AMERICA HAS LENGTHENED SO MUCH IN TERMS OF DELIVERY TIME THAT EXTENDED PERIODS OF SHORTAGES IN ESSENTIAL GOODS LIKELY, UNLESS THERE IS LIBERALIZATION OF PRO- CUREMENT FROM SOUTH AFRICA. (THIS WOULD BE POLITICALLY DIS- TASTEFUL FOR GRZ, BUT, DESPITE RHODESIAN BORDER CLOSURE, EVEN CIRCUITOUS SUPPLY LINE FROM SOUTH AFRICA IS FAR SHORTER THAN OTHERS AND SOME UNPUBLICIZED PROCUREMENT THERE IS GOING ON NOW.) AIR TRANSPORT DIFFICULTIES HAVE INCREASED DUE SHORTAGES OF FUEL, CAUSING SOME FLIGHTS TO BE CANCELLED. (U.S. CARRIER ALASKA INTERNATIONAL AIR FLYING VITAL MEAT AND MINING SUPPLIES FROM BOTSWANA TOLD EMBASSY RECENTLY IT HAD BEEN ALLOCATED LESS FUEL THAN IS REQUIRED FOR BREAK-EVEN BUSINESS.) MAIN PROBLEM REGARDING TRANSPORT LIKELY BE PRICE, HOWEVER. ENERGY CRISIS WILL RUN UP DIRECT COST OF OPERATING ZAMBIA S RAPIDLY-GROWING LONG-HAUL ROAD TRANSPORT FLEET WHILE HIGHER CHARGES FOR SEA AND AIRFREIGHT WILL FORCE PRICE INCREASES ON ESSENTIAL IMPORTS.

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4. MIN FINANCE PRELIMINARY BALANCE OF PAYMENTS FIGURES IN 1973 SHOW K127 MILLION SURPLUS ON CURRENT ACCOUNT, MOST OF WHICH WAS USED TO ELIMINATE LONG-TERM INDEBTEDNESS INCURRED WHEN MINES WERE SEMI-NATIONALIZED IN 1970. IMPOSSIBLE SAY WITH ANY ACCURACY WHAT 1974 BALANCE OF PAYMENTS PICTURE WILL LOOK LIKE, PRIMARILY SINCE PRICE OF COPPER IS UNCERTAIN. GRZ BUDGET ASSUMED K900 PER METRIC TON, WHICH INDICATIVE OF PREVAILING PESSIMISM HERE. WE INCLINED

ASSUME PRICE AVERAGE K1,000 PER METRIC TON (AS COMPARED TO OKER  
K1,350 FIRST SIX WEEKS OF 1974). THUS, IF PRODUCTION IS CON-  
SERVATIVELY ESTIMATED AT 700,000 METRIC TONS, TOTALEXPORTS  
MIGHT REACH K735 MILLION (ASSUMING COPPER S SHARE AT  
95 PERCENT.) IMPORTS LIKELY JUMP SUBSTANTIALLY OVER K342 MILLION IN  
1974, BECAUSE OF GRZ EFFORTS TO STIMULATE ECONOMY AS WELL AS  
PRICE INCREASES. BELIEVE K450 MILLION IS FAIR ESTIMATE. WITH  
HIGHER TRANSPORT COSTS AND SOMEWHAT LOWER NET TRANSFERS, TOTAL  
"INVISIBLES" MIGHT REMAIN ABOUT SAME, I.E. K276 MILLION.  
RESULT WOULD BE SLIGHT SURPLUS ON CURRENT ACCOUNT OF K19 MILLION.  
THERE MANY QUESTION MARKS, HOWEVER - PARTICULARLY RE LE  
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DRC-01 IGA-02 FRB-02 XMB-07 LAB-06 SIL-01 AGR-20 /207 W  
----- 036388

R 081225Z MAR 74  
FM AMEMBASSY LUSAKA  
TO SECSTATE WASHDC 9849  
INFO AMEMBASSY DAR ES SALAAM  
AMEMBASSY BLANTYRE  
AMEMBASSY GABORONE  
AMEMBASSY MBABANE  
AMCONSUL LUBUMBASHI

UNCLAS SECTION 2 OF 2 LUSAKA 00384

E.O. 11652: N/A  
TAJS: ENRG, ZA  
SUBJECT: ENERGY CRISIS - ZAMBIA S PERCEPTION AND POLICY

6. AS INDICATED PARA 4, GOVERNMENT BUDGET FOR 1974 AIMED AT  
PRIMING ECONOMY THROUGH FIRST INCREASE IN DEVELOPMENT BUDGET  
SINCE 1971. TO EXTENT ENERGY CRISIS RESULTS IN HIGHER COSTS,  
DEVELOPMENT PLANS WILL HAVE TO BE SCALED DOWN, IF NOT IN 1974,  
THEN CERTAINLY IN 1975. NEW PROJECTS SUCH AS K45 MILLION REOPEN-  
ING OFHHD KANSANSHI COPPER MINE AND K17 MILLION RCM CHIBULUMA  
MINE EXPANSION NOW BEING CONTEMPLATED MAY GO FORWARD, BUT MORE  
EXPENSIVE PROJECTS SUCH AS ESTABLISHMENT OF LUMWANA COPPER MINE

AND IRON/STEEL MILL MAY WELL BE POSTPONED FURTHER TO AVOID  
THE RISKS OF COST OVER-RUNS AND LENGTHY DELAYS IN COMPLETION  
DATES. ZAMBIANS HAVE ALREADY SHOWN CAUTION IN BACKING OFF FROM  
PURCHASE DC-10 S FOR ZAMBIA AIRWAYS (LUSAKA 197). UNLIKELY THAT  
ENERGY CRISIS WILL MATERIALLY AFFECT: (A) COMPLETION OF MAJOR IBRD  
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HYDROELECTRIC PROJECTS NOW UNDER WAY, (B) PRC S TANZAM RAILWAY  
(BIGGEST BILATERAL PROJECT BY FAR), OR (C) SMALLER BILATERAL PRO-  
JECTS ALREADY APPROVED OR BEING IMPLEMENTED,  
ZAMBIA, LIKE OTHER LDC S, WOULD PROBABLY SUFFER IF HIGH COST  
OF OIL CAUSED MAJOR DONORS TO CURTAIL CAPITAL AID AS FOREIGN  
EXCHANGE-SAVING MEASURE.  
WILKOWSKI

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, FUEL OIL, SUPPLIES, COPPER, PETROLEUM PRODUCTS, TRANSPORTATION, ECONOMIC DEVELOPMENT, IMPORT PRICES, EXPORT PRICES, BALANCE OF PAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974LUSAKA00384  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** LUSAKA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740358/aaaacbuj.tel  
**Line Count:** 186  
**Locator:** TEXT ON-LINE  
**Office:** ACTION AF  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 20995  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 JUL 2002 by elbezefj>; APPROVED <06 DEC 2002 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY CRISIS - ZAMBIA S PERCEPTION AND POLICY PASS AID/W  
**TAGS:** ENRG, ZA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005